

## Message Text

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ACTION EUR-25

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R 171440Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2750

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

C O N F I D E N T I A L ROME 0710

E.O. 11652: GDS

TAGS: ELAB PINT IT

SUBJECT: THE GOVERNMENT AND THE UNIONS - 1974

1. BEGIN SUMMARY. UPCOMING GOVERNMENT/UNION MEETINGS EXPECTED TO BE MAJOR TEST OF CONTINUANCE UNION MODERATION. FINAL AGREEMENT ON PENSIONS AND PROMISE OF OTHER EMPLOYMENT GENERATING OR INCOME MAINTAINING MEASURES LIKELY. THIS WOULD HELP CONFEDERATIONS IN EFFORT CONTROL RANK AND FILE PRESSURES. UNION LEADERS HOWEVER FEAR RUMOR GOVERNMENT BECOMING INCREASINGLY PARALYZED. FOR THEIR PART UNIONS DO NOT WISH TO PARTAKE OF RESPONSIBILITY FOR POSSIBLE GOVERNMENT CRISIS AND SO WILL ATTEMPT TO CONTINUE THEIR "SOFT LINE" AS LONG AS POSSIBLE. IN THE FINAL ANALYSIS UNIONS WILL BE AFFECTED BY CIRCUMSTANCES OVER WHICH THEY HAVE LITTLE CONTROL -- INFLATION, ENERGY CRISIS INDUCED UNEMPLOYMENT AND EVEN THE DIVORCE ISSUE. END SUMMARY.

2. THE TRADE UNIONS, WHICH WORKED DILIGENTLY TO BRING ABOUT DEMISE OF THE ANDREOTTI GOVERNMENT, MORE OR LESS COOPERATED  
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WITH THE CENTER-LEFT RUMOR GOVERNMENT FROM ITS INCEPTION. CON-

VINCE THAT NO BETTER ALTERNATIVE TO THIS CENTER-LEFT GOVERNMENT EXISTED AT THE TIME AND RESPONDING TO THE PCI "HISTORIC COMPROMISE" (A SIGNIFICANT ELEMENT OF WHICH INCLUDED PARTICIPATION IN THE POLITICAL/SOCIAL PROCESS THROUGH THE LABOR MOVEMENT) THE UNIONS ADOPTED A "SOFT LINE" TOWARD GOVERNMENT AND MANAGEMENT. THIS UNION POSITION AIDED IN NO SMALL MEASURE THE ITALIAN ECONOMIC RECOVERY, WHICH PRIOR TO THE ONSLAUGHT OF THE ENERGY CRISIS RESULTED IN A NOTABLE RISE IN BOTH PRODUCTION AND EMPLOYMENT.

3. IN RETURN FOR THEIR SUPPORT, UNIONS HAD CALLED FOR PRICE CONTROLS, INVESTMENT IN THE SOUTH, AND CERTAIN REFORMS WHICH WOULD SET THE STAGE FOR A "NEW WAY OF DEVELOPMENT." THE OCTOBER 1973 GOVERNMENT/UNION PENSION AGREEMENT (ROME 11317 OF OCTOBER 17, 1973) WAS HAILED BY THE UNIONS AS AN IMPORTANT FIRST STEP AND A MEANS OF GETTING INCOME TO THE MOST NEEDY.

4. THE ENERGY CRISIS CHANGED THE EQUATION OVERNIGHT, MAKING UNIONS' FIRST PRIORITIES JOB PROTECTION AND INCOME MAINTENANCE RATHER THAN THE MORE GENERIC REFORMS. UNSURE OF THE FUTURE, BOTH UNIONS AND GOVERNMENT CLOSED OUT 1973 WITH INCONCLUSIVE DISCUSSIONS LOOKING TOWARDS THE NEW YEAR FOR CLARIFICATION.

5. EARLY JANUARY REGIONAL UNION MEETINGS POINTED UP RANK AND FILE CONCERN WITH "STAGFLATION" AND DISENCHANTMENT WITH THE RESULTS OF UNION/GOVERNMENT DIALOGUES WHICH HAD NOT YET DELIVERED PENSIONS, LET ALONE OTHER MEASURES. IT WAS FELT THAT THE MID-JANUARY MEETING OF THE UNION SECRETARIES GENERAL WITH PRIME MINISTER RUMOR MUST PRODUCE RESULTS. BECAUSE OF INTERNAL PROBLEMS IN THE GOVERNMENT COALITION WHICH PREVENTED DECISIONS ON KEY ISSUES AFFECTING LABOR, THAT MEETING NOW LIKELY TO BECOME AN END OF JANUARY ENCOUNTER. ALTHOUGH DEFINITIVE GOVERNMENT PROPOSALS IN DOUBT, SOME PROJECTED GOVERNMENT MEASURES SHOULD COINCIDE WITH UNION PRIORITIES, ESPECIALLY SINCE CGIL SEC GEN LAMA HAS BEEN TAKING PAINS TO DEFINE UNION AND GOVERNMENT PRIORITIES AS BASICALLY IDENTICAL.

6. GOVERNMENT/UNION MEETING THEREFORE LIKELY TO RESULT IN FINAL SETTLEMENT OF PENSION/SOCIAL BENEFIT QUESTION SO THAT WORKERS CAN BEGIN TO RECEIVE FAMILY ALLOWANCES RETROACTIVE TO

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JANUARY 1. THIS ABSOLUTELY ESSENTIAL IF CONFEDERATIONS HOPE TO CONTROL WORKER PRESSURE FOR WAGE IMPROVEMENTS. OTHER POSSIBLE GOVERNMENT COMMITMENTS MAY BE AN INITIATIVE ON LOW COST HOUSING AND CONSTRUCTION OF SCHOOLS AND HOSPITALS, BOTH OF WHICH WOULD BE JOB CREATION MEASURES IN ADDITION TO BEING TOUTED AS THE BEGINNING OF EDUCATION AND HEALTH REFORMS. IN ADDITION, UNIONS HOPE FOR A GOVERNMENT COMMITMENT TO MAJOR IMPROVEMENTS IN PUBLIC TRANSPORTATION--IMPROVEMENTS WHICH WOULD RESPOND TO UNION DEMAND

FOR EMPLOYMENT OPPORTUNITIES IN THE SOUTH.

7. BASIC UNION POSITION IS THAT LABOR MUST BE A PARTICIPANT IN, OR GIVE IMPRIMATUR TO, GOVERNMENT DECISIONS BEFORE THEY ARE SUBMITTED TO PARLIAMENT FOR ACTION. ALSO, UNIONS ARE CALLING FOR A GLOBAL AND COMPREHENSIVE GOVERNMENT APPROACH ON MAJOR ISSUES, RATHER THAN A PIECEMEAL EFFORT.

8. TRADE UNION LEADERS FEAR, HOWEVER, THAT RUMOR GOVERNMENT WILL BE UNABLE TO MAKE NECESSARY DECISIONS. THEY SEE THE GOVERNMENT AS BECOMING INCREASINGLY PARALYZED BY DIFFERENCES AMONG COALITION PARTNERS AND HAVE NO CONFIDENCE IN RUMOR'S ABILITY TO RESOLVE DISPUTES. THERE IS INCREASING TALK IN UNION CIRCLES OF A GOVERNMENT CRISIS FOLLOWED BY A POSSIBLE DC MONOCOLORE GOVERNMENT (PICCOLI SOMETIMES MENTIONED) TO CARRY THROUGH THE DIVORCE REFERENDUM PERIOD.

9. UNION LEADERS AT CONFEDERAL LEVEL CLEARLY WISH TO AVOID A CRISIS WHICH WOULD POSTPONE NECESSARY HARD DECISIONS AND THEY UNDER NO CIRCUMSTANCES WISH TO BE HELD RESPONSIBLE FOR SUCH A CRISIS. UIL SEC GEN VANNI TOLD EMBOFFS THAT IF THE POLITICAL PARTIES WANT TO BRING DOWN THE RUMOR GOVERNMENT THEY WILL HAVE TO DO IT THEMSELVES. CONFEDERATIONS THEREFORE WILL ATTEMPT TO CONTINUE UNION "SOFT LINE" AND AVOID DISRUPTIVE STRIKES AS FAR AS POSSIBLE. THEY WILL LIKELY USE THE PENSION AGREEMENT AND PERHAPS VAGUE GOVERNMENT INITIATIVES IN OTHER AREAS AS EVIDENCE UNION/GOVERNMENT COLLABORATION TOWARD A "NEW WAY OF DEVELOPMENT." CONFEDERATIONS MUST HOWEVER DEAL WITH INCREASING PRESSURE FROM METALWORKERS AND SOME OTHER INDUSTRIAL UNIONS WHICH CALLING FOR BROADER EXTENSION OF FACTORY LEVEL AGITATION NOW IN PROGRESS AT FIAT AND OTHER LARGE CONCERNS IN ORDER TO FORCE BOTH GOVERNMENT AND MANAGEMENT TO BE MORE RESPONSIVE. IN THIS REGARD, REVIVAL OF AN OLD RUMOR THAT MILITANT CISL METALWORKER LEADER CARNITI MAY JOIN CISL SECRETARIAT COULD BE EVIDENCE OF CISL CONFEDERATION ATTEMPT TO CONTROL

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AND MODERATE METALWORKERS BY ABSORBING THEIR LEADERSHIP.

10. IN SUM, IF EMPLOYMENT CAN BE HELD REASONABLY STEADY AND WORKER INCOME PROTECTED FROM THE RAVAGES OF INFLATION, UNIONS SHOULD BE ABLE TO CONTINUE THE "SOFT LINE" POLICY WHICH THEY CURRENTLY WOULD PREFER TO PURSUE. HOWEVER, THE IMPONDERABLES IN THE EQUATION ARE MANY, RANGING FROM THE POTENTIALLY MASSIVE EFFECTS OF THE ENERGY CRISIS TO THE POLITICAL FALL-OUT FROM THE DIVORCE QUESTION. VOLPE

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